

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
1. Technical			
1.1 Project facility O&M Poor O&M of project infrastructure given limited local capacity	S	<p>The project uses relatively simple technology with limited O&M requirements.</p> <p>The project will provide dedicated training on O&M.</p>	<p>MPWT/PMU, DPWTs/PIUs, and PMCS</p> <p>MPWT/PMU, DPWTs/PIUs, and PMCS</p>
1.2 Unexpected UXOs The presence of UXOs could cause safety issues and/or delay project implementation	L	<p>MPTW/PMUs will consult properly with the district government agencies, communes, and village chiefs regarding potential risk of UXOs.</p> <p>Bid documents and contracts will alert bidders and emphasize the risk, with requirements to (i) consult the provincial, district, and village administrations regarding potential risks; (ii) plan their work accordingly; and (iii) agree with the employer on necessary actions, reporting (to PMU/PIUs/ADB), and procedures in case of discovery of unexpected UXOs.</p>	<p>MPWT/PMU</p> <p>MPWT/PMU, DPWTs/PIUs, contractors, and PMCS</p>
2. Economic and Financial			
2.1 Financial sustainability road map Lack of financial sustainability caused by limited cost recovery and/or low willingness of households to connect to sewerage network or pay for services	S	<p>MPWT will include financing for household connections (free of charge) in the project to ensure up-front connection to the system.</p> <p>The government will develop a financial sustainability road map (including tariff road map) before construction is completed (loan covenant).</p> <p>MPWT will conduct public awareness campaigns on the system benefits.</p>	<p>MPWT/PMU, PMCS</p> <p>MEF, MPWT, provincial governments, DPWTs, PMCS</p> <p>MPWT/PMU, PMCS</p>
3. Governance and Public Financial Management			
3.1 Public asset management Loss of public asset because of poor maintenance and lack of regular monitoring and inventory ^a	M	Provincial governments and PIUs will update the fixed asset book every year during and after project implementation. The PMCS will train government staffs in fixed asset management, including link	MPWT/PMU, DPWTs/PIUs, and PMCS

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		to asset preventive maintenance activities.	
3.2 Provincial and municipal government budget Unrealistic projections for budget allocation of revenue and expenditure could result in poorly prioritized sector expenditure allocations	M	PMCS will provide training to strengthen the capacity of the provincial governments and DPWTs on budget preparation and management, and expenditure prioritization	MPWT/PMU, DPWTs/PIUs, and PMCS
3.3 Internal audit Lack of internal audit system in the provincial governments/DPWTs	M	No transaction and fund flow of ADB loan and grant proceeds to the DPWTs/PIUs.	MEF and MPWT/PMU
3.4 Information systems Improper record-keeping or mistakes caused by the Microsoft Excel-based financial management system in the provincial governments/DPWTs	M	MEF and MPWT/PMU ensure to engage the qualified audit company under the project. PMU and PIUs will undertake regular backups of all financial, accounting, and project-related data; and place appropriate security measures over backed-up. No transaction and fund flow of ADB loan and grant proceeds to the DPWTs/PIUs.	MEF and MPWT/PMU MPWT/PMU and DPWTs/PIUs MEF and MPWT/PMU
4. Governance and Procurement			
4.1 Bidding document preparation MPWT/PMU staff and bidders are unfamiliar with the design–build contract, resulting in preparation delays	M	ADB, MPWT and technical assistance consultant will finalize master bidding documents based on the ADB standard bidding documents and design–build (landfill) contract bidding document before project approval; and used strictly for the project.	ADB, MPWT/PMU, and transaction technical assistance consultant
4.2 Handling of complaints Inadequate handling of complaints scales up the problems and negatively affect overall contract management	L	PMU/PIU staff ensure transparency in dealing with complaints. Regular reporting and communication among MPWT/PMU, DPWTs/PIUs, and ADB.	ADB, MPWT/PMU, and DPWTs/PIUs
5. Governance and Corruption Risks			
5.1 Corruption Political interference, conflicts of interest, and nepotism could affect project design, procurement, and implementation, leading to poor-quality subprojects.	M	Provide assurances to undertake the following anticorruption actions: (i) include anticorruption clauses in the bidding documents and contracts; and (ii) ensure the day-to-day operation and communication of loan covenants against corruption.	MPWT/PMU

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6. Poverty, Social, and Gender			
6.1 Stakeholder coordination Weak multi-stakeholder coordination by the PMU/PIUs results in slow, inadequate, and inappropriate gender action plan implementation	M	<p>Appoint dedicated staff in the PMU/PIUs to ensure that clear roles and responsibility for multi-stakeholder coordination and public participation are assigned.</p> <p>Appoint international and national experts with clear terms of reference under the PMCS.</p>	<p>MPWT/PMU and DPWTs/PIUs</p> <p>ADB and MPWT/PMU</p>
7. Safeguards			
7.1 Delayed land acquisition Construction delays caused by late approval and implementation of land acquisition and/or resettlement	S	<p>The resettlement framework, developed with the GDR, will govern land acquisition during implementation.</p> <p>Close coordination among stakeholders to ensure notification (cut-off date), compensation payment, monitoring, and reporting among stakeholders.</p>	<p>ADB, MEF/GDR, MPWT, provincial governments, and DPWTs/PIUs</p> <p>ADB, MEF/GDR, MPWT, provincial governments, and DPWTs/PIUs</p>

ADB = Asian Development Bank, DPWT = Department of Public Works and Transport, GDR = General Department of Resettlement, L = low, M = moderate, MEF = Ministry of Economic and Finance, MPWT = Ministry of Public Works and Transport, O&M = operation and maintenance, PIU = project implementing unit, PMCS = project management consulting service, PMU = project management unit, S = substantial, UXO = unexploded ordinance.

^a The standard operating procedure for externally financed projects in Cambodia (May 2012) stipulates that assets must be subject to careful asset management.

Source: Asian Development Bank.